

Asda Income Tracker

Report: January 2020

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Making Business Sense

Centre for Economics and
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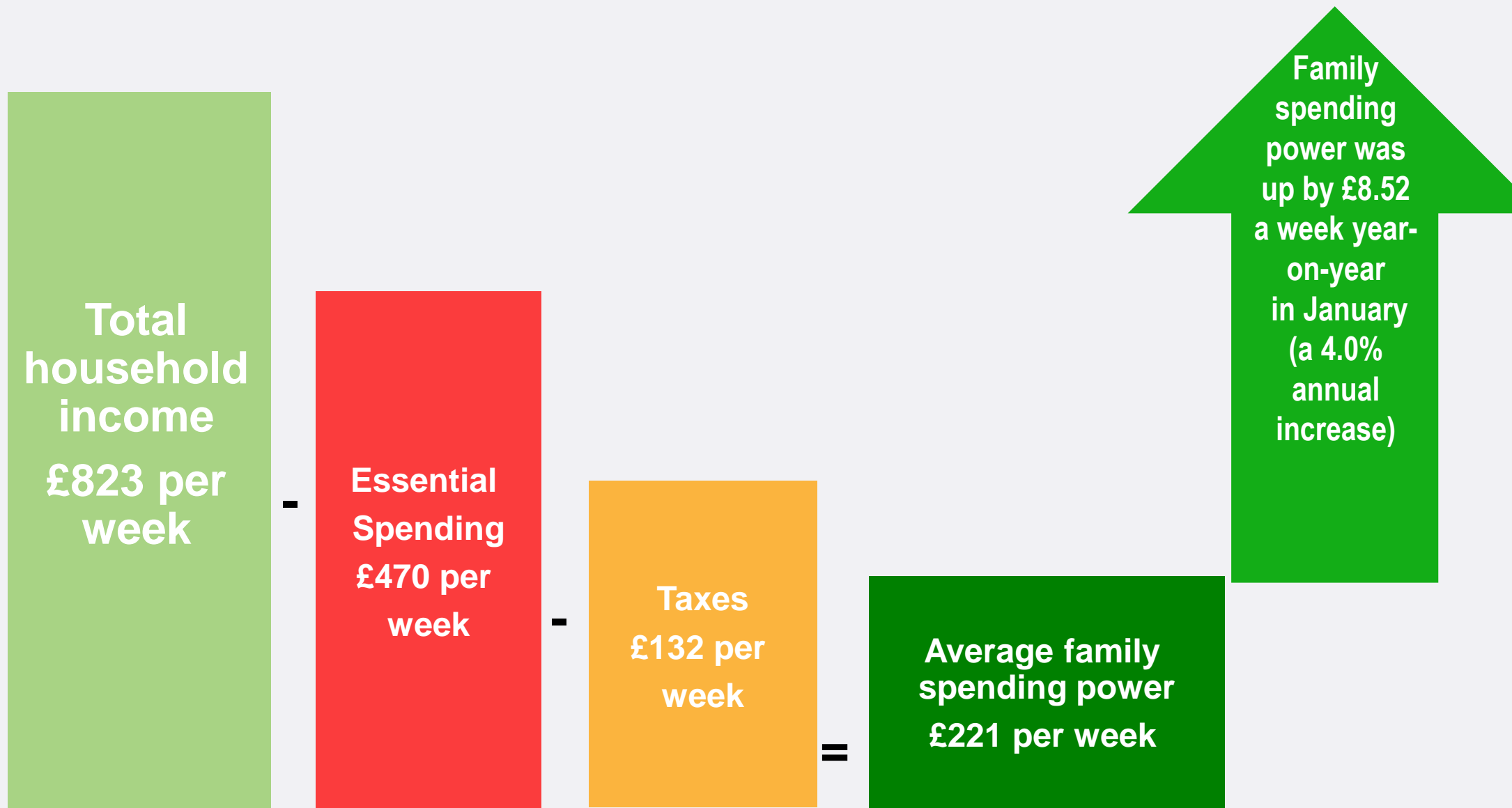
Unit 1, 4 Bath Street, London
EC1V 9DX

t 020 7324 2850

w www.cebr.com



Asda Income Tracker – Key Figures

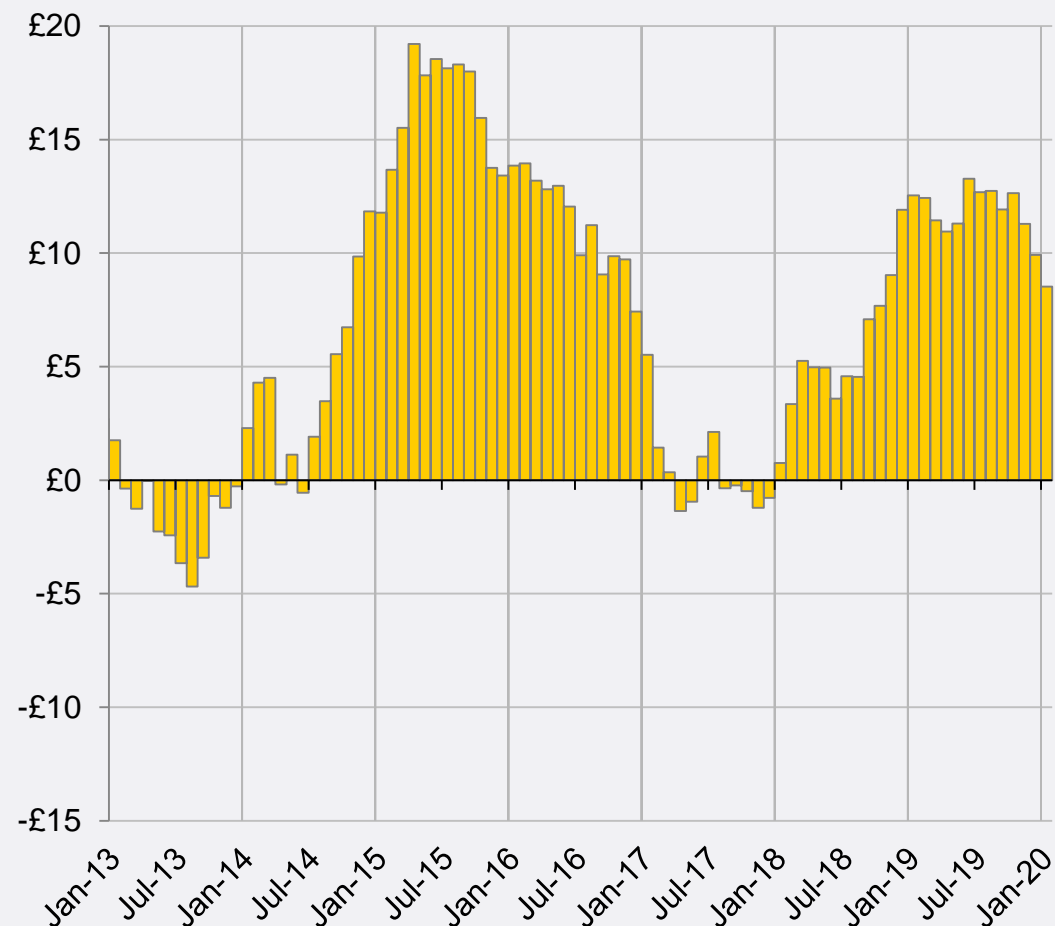


A surprise spike in inflation causes Income Tracker growth to slow further

The Asda Income Tracker was £8.52 a week higher in January 2020 than a year before

- Family spending power increased by 4.0% in the year to January 2020, down from an increase of 4.8% in the previous month. Growth in the Income Tracker has now slowed for three consecutive months.
- A combination of higher utilities inflation and slowing income growth resulted in slowest annual growth rate for family spending power is since October 2018.
- While the employment rate reached a new record high in the final quarter of 2019, climbing to 76.5%, pay growth continued to slow.
- The UK economy stalled in Q4 2019, failing to achieve any growth in GDP. While this has not led to a notable increase in the unemployment rate, it seems that employers have passed on the challenging conditions to workers in the form of more moderate wage increases.

Year-on-year change in Asda Income Tracker, £

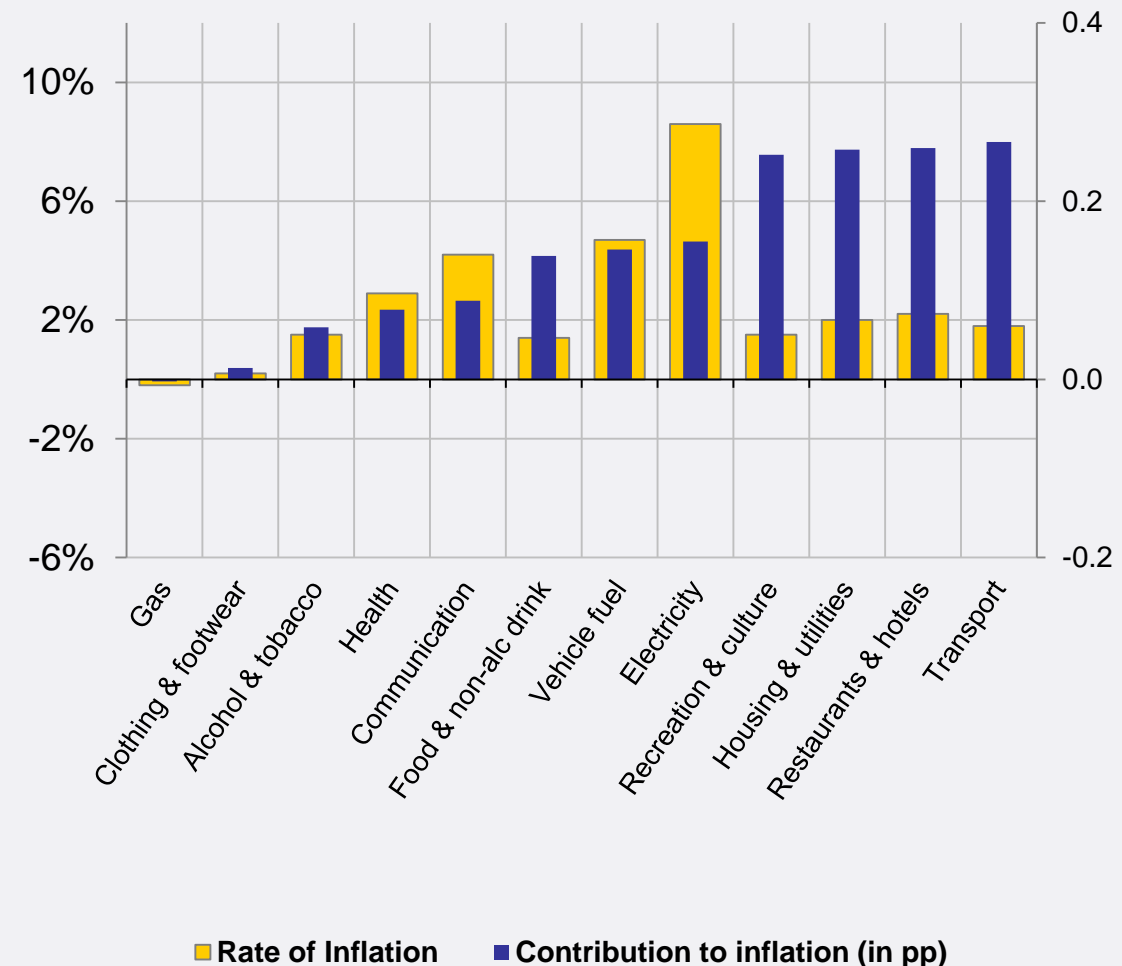


Higher fuel costs push inflation to a six-month high in January

The main factors affecting family costs in January were:

- Inflation, as measured by the Consumer Price Index, rose to 1.8% in January 2020, up from 1.3% in December 2019. This is the highest rate of inflation recorded since July 2019.
- The largest upward contributions to inflation compared to the previous reading came from the transport and the housing & utilities categories.
- Although energy costs were unchanged month-on-month, the energy price cap introduced in January 2019, meant prices were now being compared to a relatively low base.
- Compared to January last year, reduced discounting of clothing and the rising cost of transportation also contributed to the higher rate of inflation. Between December 2019 and January 2020, the pump price of petrol and diesel rose by 2.3p and 2.6p per litre, respectively.

Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

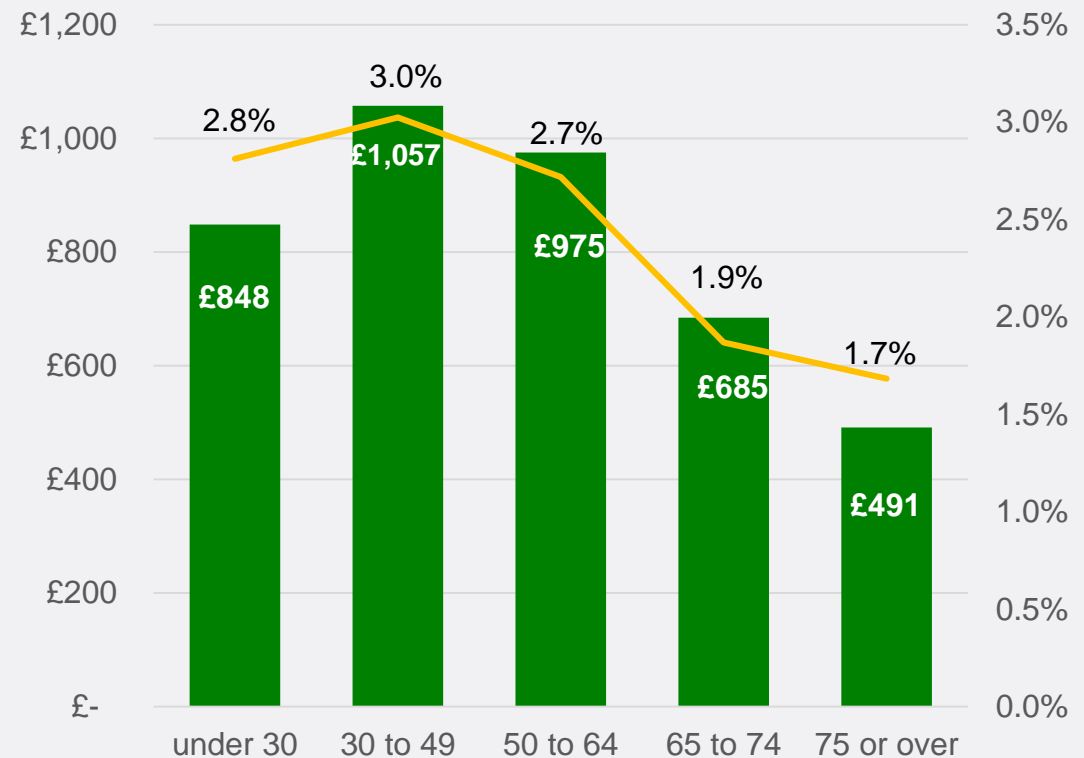
■ Rate of Inflation ■ Contribution to inflation (in pp)

Gross income growth slows despite record-high employment rates

Under-30s saw gross incomes increase by 2.8%, the second-fastest rate of all age groups

- Growth in gross incomes fell back for all age groups between October 2019 and January 2020. 30 to 49 year-olds were the only group to record income growth of at least 3.0%.
- The three age groups over the age of 50 all recorded declines of 0.5 percentage points in their gross income growth rate between October 2019 and January 2020.
- For those aged 75 and over, annual income growth in January fell below the headline rate of inflation.
- In recent months, the UK labour market has combined record-high rates of employment with weakening earnings growth. This could be due to an increasing reluctance of employers to award higher pay increases in a challenging economic environment. Moreover, the structure of the labour market could be changing with many of the recently employed working in lower-paid jobs or working jobs with fewer.

Average weekly gross income by age group, January 2020, YoY growth in % (RHS)



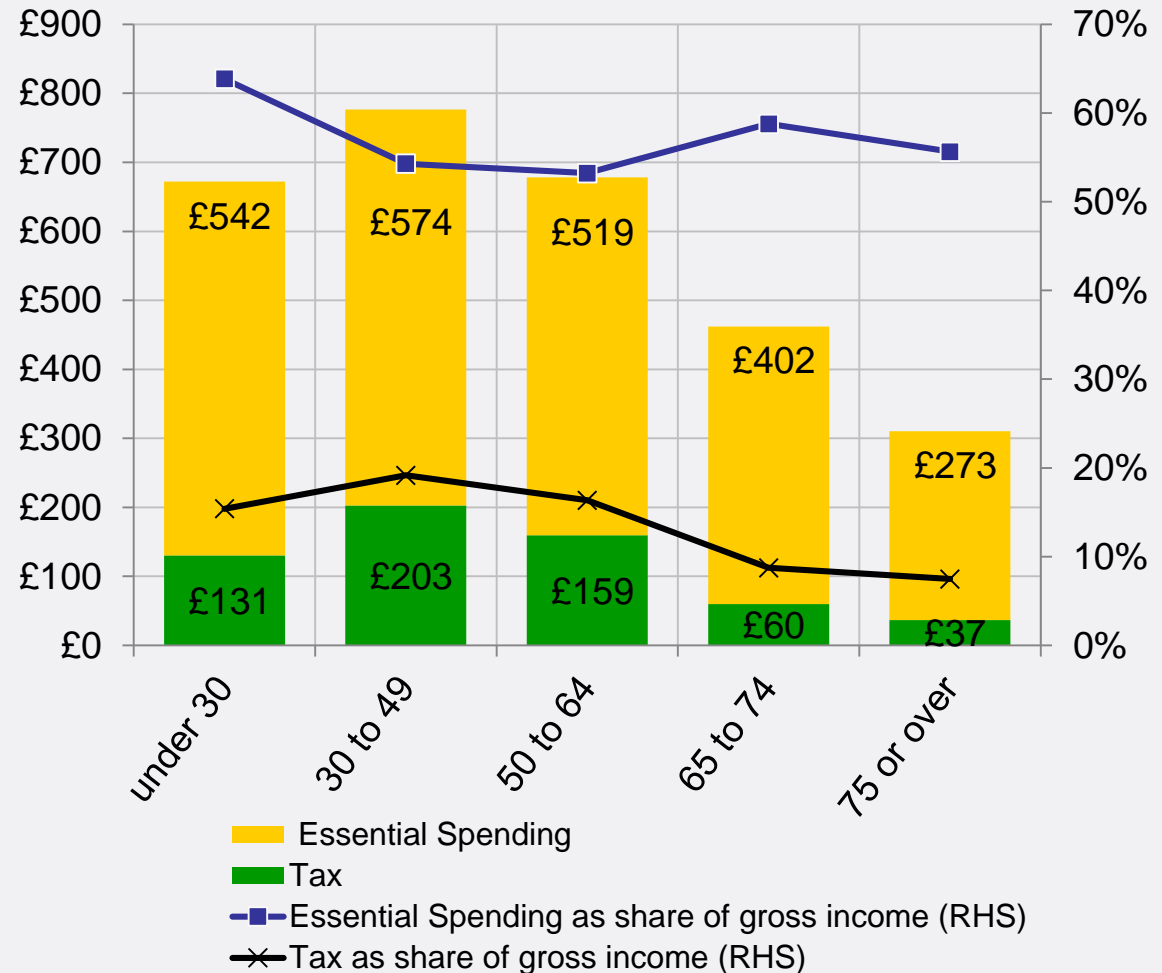
*Age groups determined via age of household representative person / main income earner in household.

Cost of essentials rises as transport inflation jumps to seven-month high

The cost of essentials increased faster than headline inflation in January

- Along with headline inflation, the cost of essential spending increased significantly in January. Indeed, the cost to purchase the basket of essential goods and services monitored by the Income Tracker increased at a faster clip than inflation in general.
- Higher prices for electricity and gas as well as an increase in transport inflation had a large effect on the cost of essential spending in January.
- While housing costs and utilities are a more important cost driver for the under 30s and over 75s, higher transport cost affect the middle age groups.
- As a result, all age groups experienced a noticeable increase in costs in January.

Average weekly tax burden and essential spending as a share of gross income by age group, January 2020

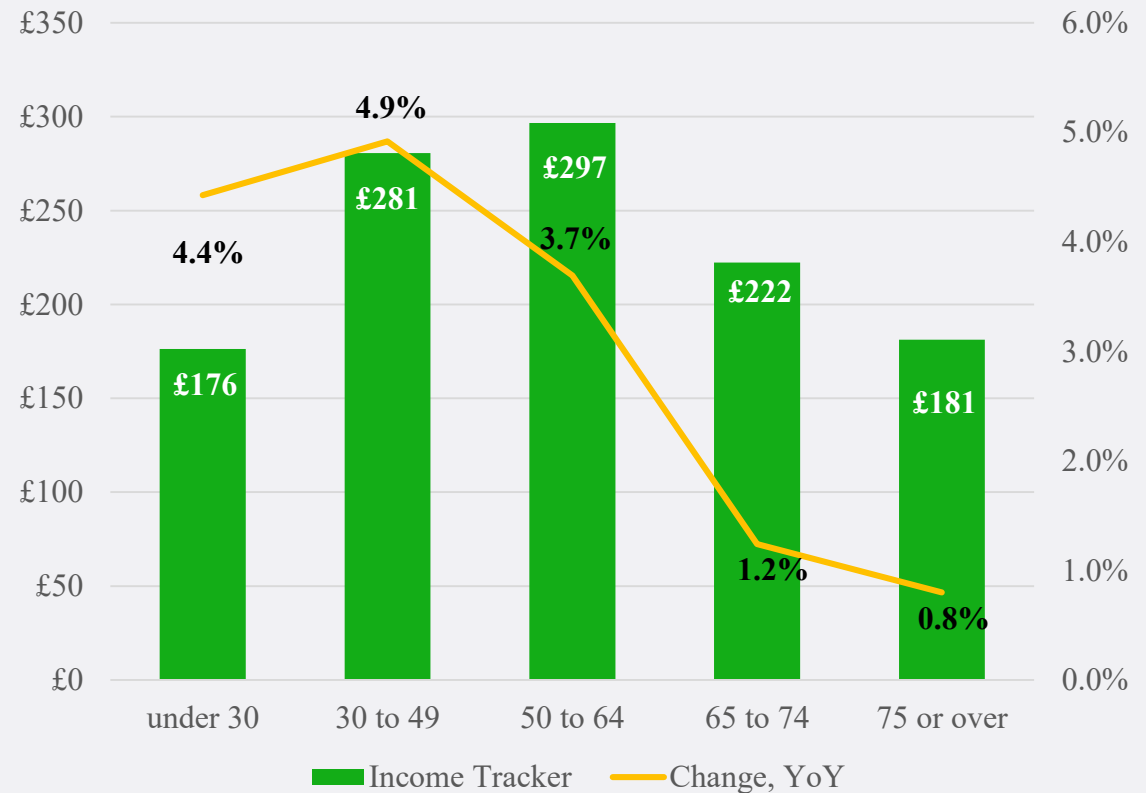


Income Tracker growth for pension-age households slows sharply

30 to 49 year-olds see fastest annual Income Tracker growth at 4.9%

- Households of all age groups saw positive year-on-year Income Tracker growth in January 2020.
- Due to the spike in January's inflation data and the longer-term decline in incomer growth, the gains in the Income Tracker were considerably more moderate than three months ago when we last published this demographic breakdown.
- Pension-age households were especially hard hit and saw their discretionary spending growth rates more than halved. At 0.8%, annual Income Tracker growth for those aged 75 and over has come close to stagnation.
- Households aged 30 to 49 saw their discretionary incomes increase at a rate of 4.9% in January 2020, the slowest rate since November 2018 for this age group.

Average weekly discretionary income by age group, October 2019, YoY growth in %



Contact

Please find attached method notes and the tabulated data. Asda produces a monthly Income Tracker report with a more comprehensive report every quarter.

For press enquiries please contact:

Jessica Finlay, Senior Press Officer, Corporate Media Relations
Jessica.Finlay@Asda.co.uk ; 0113 82 63369

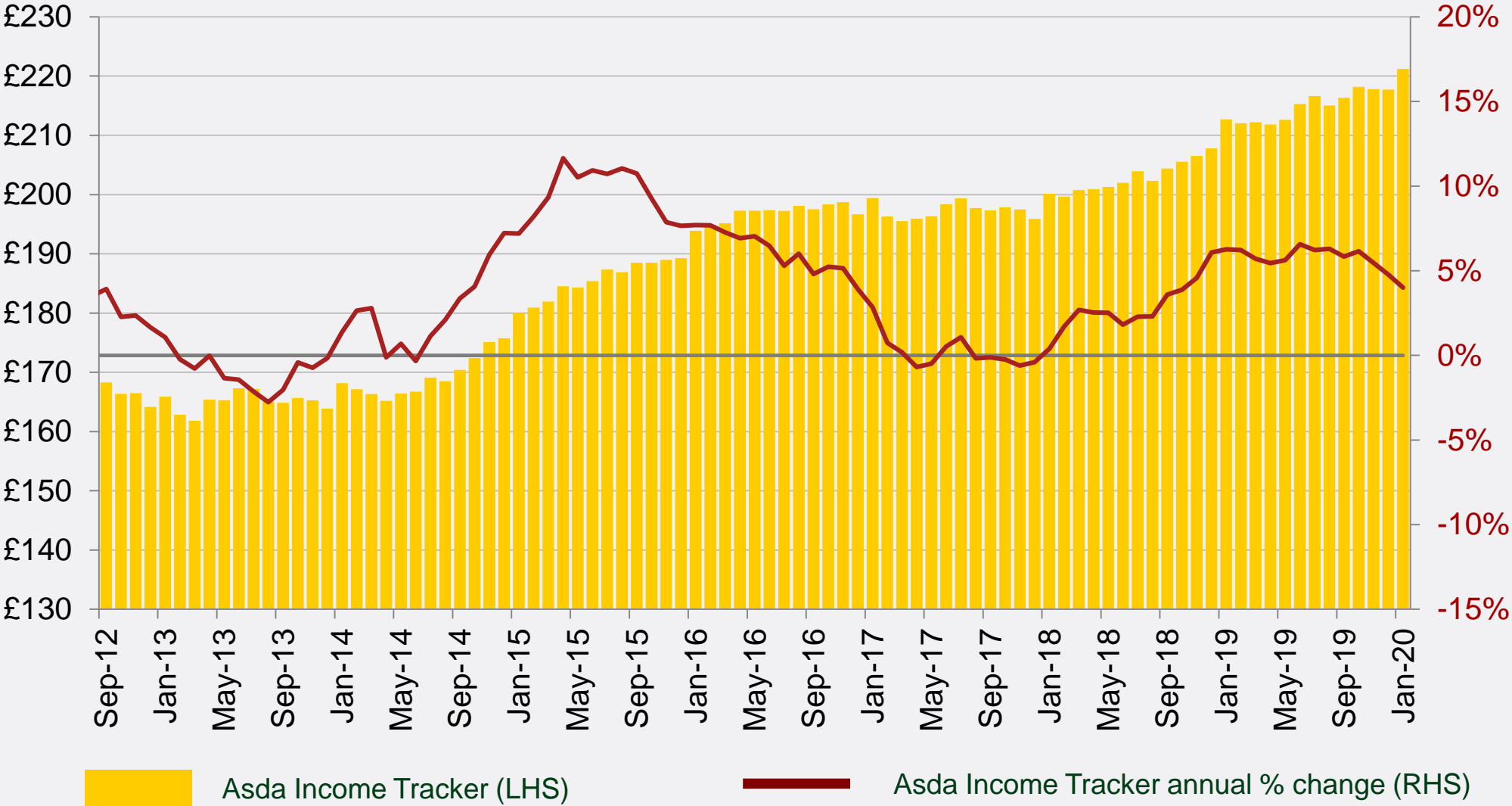
For data enquiries please contact:

Kay Daniel Neufeld, Cebr Head of Macroeconomics
KNeufeld@Cebr.com ; 020 7324 2841

Appendix

Monthly Asda Income Tracker

Figure 1: Asda Income Tracker and year-on-year change (excluding bonuses)



Monthly Asda Income Tracker

Table 1: Average UK household Income Tracker, £ per week, current prices, excluding bonuses

Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker
January 2016	£195	January 2017	£201	January 2018	£200	January 2019	£213	January 2020	£221
February 2016	£195	February 2017	£197	February 2018	£199	February 2019	£212		
March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212		
April 2016	£198	April 2017	£196	April 2018	£200	April 2019	£212		
May 2016	£198	May 2017	£196	May 2018	£201	May 2019	£213		
June 2016	£198	June 2017	£198	June 2018	£202	June 2019	£215		
July 2016	£198	July 2017	£199	July 2018	£204	July 2019	£217		
August 2016	£199	August 2017	£198	August 2018	£202	August 2019	£215		
September 2016	£199	September 2017	£197	September 2018	£204	September 2018	£216		
October 2016	£199	October 2017	£198	October 2018	£205	October 2019	£218		
November 2016	£200	November 2017	£197	November 2018	£206	November 2019	£218		
December 2016	£198	December 2017	£196	December 2018	£208	December 2018	£218		
2016 Average	£198	2017 Average	£197	2018 Average	£203	2019 Average	£215		

NB: In June 2017, the ONS published revisions to the time series of its average weekly earnings data, one of the inputs of the ASDA Income Tracker. The values for the Income Tracker have been adjusted accordingly.

Method notes

The Asda Income Tracker is calculated from the following equations:

- **Total household income minus taxes equals net income**
- **Net income minus basic spend equals Asda Income Tracker**

Total household income for the United Kingdom is derived from the Living Costs and Food Survey 2012 (released December 2013). This is updated on a monthly basis using official statistics on average earnings, unemployment, social security payments, interest rates and pension income. Earnings data from the Office for National Statistics that is released in the month of the report refers to the previous month. We forecast earnings data for the month of the report.

Taxes are subtracted from total household income to estimate the actual amount that can be spent on goods and services, i.e. net income or disposable income. The average amount of tax paid is calculated using the latest version of the Living Costs and Food Survey. This is updated on a monthly basis using Office for National Statistics data and Cebr modelling.

Method notes

These components are based on official statistics and Cebr calculations.

Net income is calculated by deducting our tax estimate from our total household income estimate.

Basic spend (cost of living) figures are updated using monthly consumer price data and the trend growth rate in the volume of essential goods and services purchased over the most recent ten year period. A full list of items constituting basic (or ‘essential’) spending was created in collaboration between Asda and Cebr when the Income Tracker concept was originally formed in 2008. This list is available on request.

The ***Asda Income Tracker*** is a measure of ‘discretionary income’, reflecting the amount remaining after the average UK household has had taxes subtracted from their income and bought essential items such as: groceries, electricity, gas, transport costs and mortgage interest payments or rent. The Income Tracker measures the amount left over to spend on discretionary purchases such as leisure and recreation goods and services.

Disclaimer

This report was produced by the Centre for Economics and Business Research (Cebr), an independent economics and business research consultancy established in 1993 providing forecasts and advice to City institutions, government departments, local authorities and numerous blue-chip companies throughout Europe. The main contributors to this report are Cebr economists Kay Neufeld and Nina Skero.

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London, February 2020